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## **INTRODUCTION**

The Office of Internal Audit performed an audit of Monroe County FIA for the period October 1, 1999 through May 22, 2000. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Monroe County FIA had 88 full time equated positions (FTE's) at the time of our review. Monroe County FIA provided assistance to an average 5,111 recipients per month during FY 1999, with total assistance payments of \$7,214,571 during that year.

## **SCOPE**

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Monroe County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
General Ledger	Medical Transportation
Safe and Controlled Documents	State Emergency Relief (SER)
Employment Support Services	Client Processing
CIS/ASSIST	IRS Information Security
Payroll and Timekeeping	Procurement Card
Telephone Usage	Child Well Being

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that the Monroe County FIA internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We noted several instances of noncompliance with FIA policies and procedures that are described in manuals and instructional letters, and control weaknesses, which are detailed below.

## **LOCAL OFFICE RESPONSE**

Monroe County FIA management has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated June 12, 2000 that they are in general agreement with the report.

## **FINDINGS AND RECOMMENDATIONS**

### **Cash Receipts**

#### **FIA-138/2362 Permanent File**

1. Monroe County FIA did not maintain the permanent files of FIA-138's and FIA-2362's Service Warrants in either alphabetical or case number order, as required by Accounting Manual Item 462. Rather, the local office was maintaining the FIA-138's and FIA-2362's in a file by month. Maintaining the FIA-138's and FIA-2362's in either alphabetical or case number order makes them easier to retrieve if needed at a later date.

WE RECOMMEND that Monroe County FIA maintain the file of FIA-138's and FIA-2362's in either alphabetical or case number order.

### Returned Food Stamps Not Logged in

2. Monroe County FIA did not record the return of food coupons on the FIA-61, Record and Disposition of Checks/Warrants, as required by Accounting Manual Item 431, and Food Stamp Issuance Manual Item 512. Instead the mail room clerk gave the food coupon envelope to the worker who kept them in the case record.

WE RECOMMEND that Monroe County FIA mail clerk record all returned food coupons on the FIA-61 log in accordance with the Accounting and Food Stamp Issuance Manual.

### Cash Disbursements

#### Confirmation of Payments of Bills

3. Monroe County FIA did not return a copy of cancelled payment document to the originator as required by Accounting Manual Item 410. Most of the workers (9 of the ten included in our sample) did not send the payment document in duplicate and did not get the turnaround document information. Returning a copy of the paid copy of the payment authorization will ensure that all checks are properly documented and paid.

WE RECOMMEND that Monroe County FIA have the workers submit payment documents in duplicate, and have the fiscal office return a copy of the cancelled payment document to the originator.

## **General Ledger**

### **Reconciliation of Cash with County Treasurer**

4. Monroe County FIA did not reconcile its Asset Account 001 (Cash with County Treasurer) to the County Treasurer's cash account each month, as required by Accounting Manual Item 402. Prompt reconciliation of this account balance would detect any discrepancies, and facilitate needed corrections.

WE RECOMMEND that Monroe County FIA reconcile its Cash with County Treasurer Account to the County Treasurer's records each month.

### **Approval of Journal Vouchers**

5. Monroe County FIA did not require that journal vouchers be approved. Accounting Manual Item 450 require that the preparer's supervisor approves all journal vouchers or other person designated by the local office director. Requiring approval helps reduce the risk of unauthorized transactions being processed.

WE RECOMMEND that Monroe County FIA require all journal vouchers to be approved by the preparer's supervisor or other person designated by the director.

### **Cash Reserve File**

6. Monroe County FIA did not maintain a Cash Reserve File as required by Accounting Manual Item 402.6. Maintaining a file with documentation for its establishment and transactions affecting Cash Reserve will ensure that the cash reserve is appropriately documented and accounted for.

WE RECOMMEND that Monroe County FIA establish and maintain a Cash Reserve file as required by Accounting Manual Item 402.6.

### **Modified Accrual Basis Balance Sheet**

No findings in this area

### **Safe and Controlled Documents**

No findings in this area.

### **Food Stamp Inventory and Issuance**

No findings in this area.

### **Medical Transportation**

#### **Medical Transportation Authorizations (FIA-54A)**

7. Monroe County FIA did not have updated Medical Needs Authorizations (FIA-54A) on file for 2 out of 6 cases we tested. Program Administrative Manual Item 825 and Accounting Manual Item 416 require that properly completed FIA-54A's be on file to document the need for medical transportation. Keeping properly updated FIA-54A's on file helps to ensure that medical transportation payments are only authorized when there is a documented medical need.

WE RECOMMEND that Monroe County FIA ensure that complete, up-to-date Medical Needs Authorizations are on file to document the need for all medical transportation payments.

### **State Emergency Relief**

No findings in this area.

## **Employment Support Services**

### **Affordability of Payments**

8. Monroe County FIA did not document that clients would be able to afford payments on vehicles they helped them purchase through ESS, as required by PEM 232. We found one instance where worker authorized the \$1,200 vehicle purchase maximum for a down payment on a car, which cost more than \$4,668. If clients are unable to afford the payments on the vehicles they purchase, they will not be able to continue to transport themselves to work.

WE RECOMMEND that Monroe County FIA only authorize ESS funds for vehicle purchases where the total cost of the vehicle is \$1,200, or where they have documentation that the client will be able to afford the payments on the vehicle.

### **Coordination with Michigan Works Agency**

9. Monroe County FIA did not coordinate with the local Michigan Works Agency (MWA) to ensure that both FIA and the MWA were not paying for the same item or service for clients who applied for them. Coordination is necessary to ensure that duplicate payments are not made between agencies

WE RECOMMEND that Monroe County FIA coordinate with the local MWA to ensure that the two agencies are not providing duplicate services for clients.

### **Vehicle Repair and Program Support Documentation**

10. Monroe County FIA made a vehicle repair payment of \$1,000 without proof that the client owned the vehicle. The local office should require proof of ownership to ensure that all vehicle repair payments are appropriate.



WE RECOMMEND that Monroe County FIA require proof of ownership before making vehicle repair payments.

**Moving Expenses Paid without A Bill**

11. Monroe County FIA made a payment of \$ 1,500 to a client without an invoice. All payments should be based only on an original invoice in order to ensure that payments are proper.

WE RECOMMEND that Monroe County FIA make payments with an original invoice.

**Client Processing**

No findings in this area.

**CIS/ASSIST**

**Missing ASSIST Enrollment Profiles and Security Agreements**

12. One employee at Monroe County FIA who had access to ASSIST did not have an ASSIST Enrollment Profile (FIA-3720) or ASSIST Security Agreement (FIA-3721) on file, as required by L-Letter 97-156. Accurate, up-to-date Enrollment Profiles and Security Agreements provide documentation that workers understand the access they have on ASSIST and the responsibility associated with that access.

WE RECOMMEND that Monroe County FIA ensure that accurate, up-to-date Enrollment Profiles and Security Agreements are on file for all employees who have access to ASSIST.

#### CIS Security Agreements

13. Monroe County FIA did not have accurate, up-to-date CIS Security Agreements (FIA-3974A) on file for 81 out of 88 employees who access the Client Information System (CIS), as required by L-Letter 97-063. For one of the 81 agreements we reviewed the status code indicated on the FIA-3974A did not agree with the current status code listed on the Operator Identification Report (PF-011).

WE RECOMMEND that Monroe County FIA ensure that all employees who have access to the CIS system have accurate, up-to-date CIS Security Agreements on file.

#### MA-010 Reconciliation of Flagged Accounts

14. Monroe County FIA did not have an independent person reconcile the flagged transactions on the Transaction Control Listing (MA-010). The Information Technology Technician (ITT) performed the reconciliation and was also the CIS Security Coordinator (with CRS status.) For internal control purposes the reconciler must not be the CIS Security Coordinator and someone without access to CIS. CRS status would allow the ITT to process transactions on CIS with no independent review of the transactions.

WE RECOMMEND that Monroe County FIA have an employee other than the CIS Security Coordinator reconcile the MA-010 report.

#### MA-010 Reconciliation - Supplemental Payments

15. Monroe County FIA did not reconcile 100% of the Supplemental Payments listed on the Transaction Control Listing (MA-010) to the Supplemental Payment Authorization and other supporting documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. Reconciling

100% of the Supplemental Payments helps to ensure that the payments are accurate and appropriate.

WE RECOMMEND that Monroe County FIA reconcile 100% of the Supplemental Payments on the MA-010 to the FIA-13's and other supporting documentation.

#### MA-010 Reconciliation – Case Openings

16. Monroe County FIA did not reconcile a sample of case openings listed on the MA-010 Report to the casefile documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. A sample reconciliation of openings provides assurance that cases were only opened by their assigned workers.

WE RECOMMEND that Monroe County FIA reconcile a sample of case openings on the MA-010 Report to case file documentation.

#### Payment Authorization Files ( FIA-13A's)

17. Monroe County FIA did not maintain the files of Supplemental Payment Authorizations (FIA-13) in either alphabetical or case number order, as required by Accounting Manual Item 404. Rather, the local office was maintaining the FIA-13's in permanent file by month. Maintaining the FIA-13's in either alphabetical or case number order provides an audit trail to easily detect how many supplements or emergency payments a client has received, and makes the FIA-13's easy to retrieve if needed at a later date.

WE RECOMMEND that Monroe County FIA maintain FIA-13's in either alphabetical or case number order.

#### CIS/ASSIST Status Code

18. Monroe County FIA had one Assistance Payments Supervisor with CRS status and one Child Protective Services Supervisor with FLM status on the Client Information System (CIS). This would allow these supervisors to make changes to clients' cases without independent review.

WE RECOMMEND that Monroe County FIA either change the AP and CPS supervisor Status code on CIS to INQ only status, or have an independent person review all transactions processed by these supervisors.

#### IRS Information Security

No findings in this area.

#### Payroll and Timekeeping

No findings in this area.

#### Procurement Card

No findings in this area.

#### Telephone Usage

No findings in this area.

#### Child Well Being

##### FIA-2506 and FIA-2507

19. Monroe County FIA did not maintain documentation for the Child Well Being Program. The Coordinator did not have a listing of cases closed due to sanction, a

file of Child Well Being Referral Forms (FIA-2506), or a file of Local Health Department Inquiry Forms (FIA-2507), as required by the Child Well Being procedures. According to the Child Well Being process, each referral is to be logged, a FIA-2506 prepared and sent to the Health Department, and the return FIA-2507 maintained on file to document that a home visit was done on sanctioned cases.

WE RECOMMEND that Monroe County FIA maintain a log of cases closed due to sanction, a file of FIA-2506's sent to the County Health Department, and a file of FIA-2507's returned from the County Health Department.

